

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7204**

**BILL NUMBER:** HB 1574

**DATE PREPARED:** Feb 13, 2001

**BILL AMENDED:** Feb 12, 2001

**SUBJECT:** User Fees for Police and Fire Pensions.

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**FUNDS AFFECTED:** X  
X

**GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill authorizes public safety user fees for police and fire pensions in Indianapolis and other municipalities. It provides that if a municipality adopts an ordinance to impose user fees, the municipality shall reduce its maximum permissible ad valorem property tax levy and that the amount of the levy reduction must be based on the amount budgeted for pension obligations that is paid for by public safety user fees. The bill establishes a procedure for enforcement of the payment of user fees and penalties. It allows the governing bodies of allocation areas to impose a special assessment if tax increment revenues are insufficient to pay obligations in the area after the reduction of property tax levies authorized because of the imposition of a public safety user fee.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** (Revised) The reduction of property taxes due to the possible imposition of a user fee for police and fire pensions would reduce the state's expense for property tax replacement credits (PTRC). PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any PTRC savings would ultimately accrue to the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) Local police and fire pension levies were approximately \$73.4 M for CY 2000. The bill would allow the local units to impose a user fee to fund police and fire pensions upon all of the property in the jurisdiction. The impact would depend on the number of units that choose to fund police and fire pensions with a user fee instead of property taxes. The maximum levy of a unit would be reduced by the amount of the obligations that would be paid with the user fee.

The individual user fee would be equal to a flat charge per foot multiplied by the square footage of all of the

improvements on the lot or parcel. Since public records containing the square footage may not exist for some tax exempt and government properties, there could be some local expense in determining these measurements.

The bill would have an impact on individuals that are currently exempt from property taxes, churches, governments, and schools. These individuals currently do not pay property taxes to fund police and fire pensions, but would under the bill be required to pay the user fee. The revenue for police and fire pensions would not be subject to the civil property tax controls and might grow at a rate greater than 5%. (Currently, if police and fire pensions grow faster than the allowable growth in the unit's maximum levy, then the unit has to reduce the growth in other funds.)

Tax increment financing (TIF) allocations are equal to the incremental assessed value in a TIF area multiplied by the taxing district's tax rate. As a consequence of reducing or eliminating certain fire and police pension tax rates, TIF proceeds would be reduced. If these tax rates had been totally eliminated in CY 2000, TIF districts, statewide, would have lost about \$2.1 M. However, this bill permits the TIF district's governing body to impose a special assessment on the property in the TIF area in order to meet the district's obligations.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Municipalities.

**Information Sources:** Local Government Database.